

MINIMUM BENEFITS

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BUPA Ireland is supportive of a Minimum Benefits Regime. We believe, that correctly designed it would be beneficial in terms of increased scope for competition, consumer choice, sustainability, and greater affordability as well as greater control over medical cost inflation and a more appropriate usage of services.

The proposals set out below are firmly based on the important role of a Minimum Benefit, or benchmark product within the voluntary PMI market and, also, on the underlying principles upon which we believe such a product should be based.

Role of a Minimum Benefit Product

In principle, an appropriately designed Minimum Benefit Regime:

- should encourage competition in the market.
- could satisfy consumer demand for other products which should be provided outside the Minimum Benefits Regime.
- could provide greater certainty to consumers by making available a transparently priced "benchmark" product.
- could open up access to PMI for those on lower incomes by allowing the market to reduce costs.
- could encourage younger people to take out affordable cover, and at an earlier stage, than they might otherwise do.
- could help ensure that policyholders do not underinsure by reference to their likely need for medical cover.

Principles on which a Minimum Benefit could be based:

BUPA Ireland believe that a Minimum Benefit should:

- be based on sound insurance principles in that the risk should be an insurable risk;
- be limited to a Minimum Benefit product in that the other products need not cover the Minimum Benefit schedule;
- insurers should be able to compete for the cost of services and accommodate co-payments;
- be shaped by a physician-led evaluation of what constitutes "essential" healthcare and an insurance view of what is insurable and not be concerned with small amounts of money expended on routine health maintenance;

- be informed by the benefits and entitlements available under the public system so that PMI could provide, at this level, a replication of the treatment available under the public system.
- by definition, exclude non-essential items;
- operate within a broader insurance market characterised, in particular, by a prohibition on cross-subsidisation and maximum transparency to the consumer.

Minimum Benefit and Regulation

Consistent with these principles, BUPA Ireland believe that all PMI insurers (with the exception of restricted membership undertakings) should be required to provide a minimum benefit product.

BUPA Ireland believe that the Minimum Benefit should constitute a basic product offering by PMI insurers, rather than, as at present, being pitched further along the spectrum in all products.

We believe that there is no justification for including a minimum benefit requirement in products other than this “benchmark” policy. Such a requirement cannot be justified in terms of economic efficiency, social equity or affordability. Its effect is to increase the costs of policies (and the incentive to cross-subsidise upmarket plans at the expense of the lower income groups) and to encourage higher rates of usage.

Products which do not contain the minimum benefit should be clearly highlighted as such by insurers.

Market stability, including Government intervention in the event of market failure should be measured and evaluated in terms of the price, accessibility, uptake and retention rates of the Minimum Benefit product.

The Wider Context

A Minimum Benefit product cannot be legislated for in isolation from the operation of the wider insurance market. There are a number of important points which BUPA Ireland would wish to make in this regard:

- the legislative measures in relation to Minimum Benefit should be efficiently adaptable to encompass prospective product development in related market segments, including long term care;
- we strongly endorse the principle, set out in the White Paper, with regard to the need for commercial freedom in the design of contracts, including arrangements other than fee-for-service and in this regard consumer demand should be the driving criterion;

- legislation and Regulations should facilitate efficient consumption as well as consumer protection;
- it is also important that the legislation, in relation to Minimum Benefits Regime, should facilitate the maximum degree of control over medical cost inflation by encouraging competition;
- government regulation should focus primarily on the benchmark product.

Summary

BUPA Ireland proposes that the Minimum Benefit product should:

- be shaped primarily by physicians, to ensure adequate essential medical cover;
- replicate what is available under the universal public healthcare entitlement;
- be a community-rated product, ideally on a progressive re-distribution basis, available from all authorised PMI insurers;
- be the basic, and least expensive, PMI product offering which an insurer can sell.

We also propose that policies other than this benchmark product should not have a minimum benefit requirement.